



# Illinois-American Water Company

300 No. Water Works Dr. • P.O. Box 24040 • Belleville, IL 62223-9040 • (618) 236-1180 • FAX (618) 236-1186  
or (618) 236-1547

April 29, 2003

City of O'Fallon  
Attn: Gary L. Graham, Mayor  
City Hall  
255 South Lincoln Avenue  
O'Fallon, Illinois 62269

Dear Mayor Graham:

This letter states the intent of Illinois-American Water Company ("IAWC") and the City of O'Fallon, Illinois ("City") to negotiate and enter into a definitive written agreement ("agreement") under which IAWC will sell and deliver to the City, and the City will purchase and receive, as the City's sole source of water supply, all of the City's water supply requirements for its entire water system.

The agreement will include the following terms:

1. The initial usage rate charged the City for water shall be \$1.69 per 1,000 gallons, plus the Company's applicable facilities charge for each meter. The rate shall be subject to increase annually based upon the annual increase in the Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers US City Average, Water and Sewer Maintenance or comparable Index in the event it no longer is published. Notwithstanding, no annual increase shall cause IAWC's bill to the City to exceed the cost of service under IAWC's General Service Rates then in effect that would be applicable to the City in the absence of the agreement.

## OFFICIAL FILE

ILL. C. C. DOCKET NO. 62-0690

IAWC EXHIBIT No. FLR-1

Witness \_\_\_\_\_

Date 5/1/03 Reporter CB

1499358.02.00.B

\_\_\_\_\_  
An American Water System Company

2. If during the term of the agreement, the City determines that it could achieve a lower overall cost of service under the rate provisions of a tariff of the Company rather than the rate provisions of the agreement, the City may request that such alternative rate provisions apply in lieu of the agreement rate provisions. Such request will be effective on the effective date of new rates of the Company, provided that any resulting revenue deficiency is accounted for in the establishment of the new rates. If the City's request becomes effective, all other provisions of the agreement shall remain in effect. The City shall not propose any new tariff rates or oppose the determination of existing tariff rates. If at the City's request, the City is billed under the rate provisions of a tariff, as provided above, the City may request to be returned to the rate provisions of the agreement. A request by the City for application of an alternative rate provision of a tariff, or to be returned to the rate provisions of the agreement, may be made only once during the term of the agreement. It will become effective upon the effective date of new rates of the Company, provided that any resulting revenue deficiency is accounted for in the establishment of the new rates.

3. At the City's request, IAWC will add the City's requirements for materials, supplies and equipment to purchases of the same by IAWC under American Water System national contracts, provided there are no restrictions under the vendor contracts. The City shall pay for purchases on its behalf at the applicable contract rates.

4. IAWC will invite the City's employees to attend its training sessions and

seminars, provided the City pays its share of any external costs, such as course materials and outside speaker fees. The Company also will provide the City with reasonable access to Company technical publications, provided that the City will maintain their contents in confidence.

5. IAWC and the City will continue their cooperation and assistance in emergency and disaster situations.

6. IAWC will provide the City, if the City requests, with a copy of a recent study of automatic meter reading, performed on behalf of another operating subsidiary of the American Water System, provided that the City will maintain the contents of the study in confidence.

7. In the event that IAWC receives a request for water service from a developer or landowner of property in or in proximity to the City and/or the City of Fairview Heights, IAWC will give notice to the City prior to commencing any actions to serve the property. IAWC will not solicit water customers in these areas, or promote development plans of developers and landowners in these areas. IAWC will provide service to the property if the Illinois Commerce Commission finds it to be in the public interest.

8. The term of the agreement shall be forty (40) years.

The parties understand that the agreement will be subject to certain contingencies, including receipt of all necessary approvals, including approval of the agreement by the Illinois

Commerce Commission and incorporation of the revenue effects of the agreement in the rates to be established in IAWC's pending rate case, Docket No. 02-0690. The City will cooperate with IAWC to obtain such approvals.

The parties further understand that this document is a letter of intent only, and that the agreement for water supply shall be incorporated in a written definitive and mutually approved and executed written water supply agreement. The parties agree to negotiate, draft, and execute such definitive agreement in expeditious good faith and will use their best efforts to obtain approval of the agreement in Docket No. 02-0690. While doing so, the City shall not solicit, consider or negotiate with any other person any alternative proposal for a water supply.

IAWC and the City further agree not to make any media announcement regarding the agreement or its terms unless and until the agreement has been mutually approved and executed, and then only by joint media announcements.

ILLINOIS-AMERICAN WATER COMPANY

By

Its \_\_\_\_\_

Accepted and Agreed to  
CITY OF O'FALLON, ILLINOIS

By

Its